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Congressional Committees

## **Congressional Award Foundation: Review of the Audit of the Financial Statements for Fiscal Year 2018**

This report presents the results of our review of the Congressional Award Foundation's (Foundation) fiscal year 2018 financial statement audit. The Congressional Award Act (Act) established the Congressional Award Board to carry out a program to promote excellence among the nation's youth in the areas of public service, personal development, physical fitness, and expedition or exploration.<sup>1</sup> The Congressional Award Board created the Foundation as a nonprofit corporation to assist in carrying out this program.<sup>2</sup> The Act, as amended by the Government Reports Elimination Act of 2014, requires the Foundation to obtain an annual financial statement audit from an independent public accountant (IPA).<sup>3</sup> The Act also requires the Comptroller General of the United States to annually review the audit of the Foundation's financial statements and report the results to the Congress.<sup>4</sup>

The Foundation received an unmodified opinion from an IPA on its fiscal years 2018 and 2017 financial statements.<sup>5</sup> The IPA found that the Foundation's financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The IPA also reported that for fiscal year 2018, it did not identify any (1) deficiencies in the Foundation's internal control over financial reporting that the IPA considered to be material weaknesses<sup>6</sup> or (2) instances of reportable noncompliance or other matters as a result of its tests of the Foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements.<sup>7</sup> In addition, the IPA reported that it conducted its audit and prepared its

<sup>1</sup>The Congressional Award Act, which was first enacted in 1979 (Pub. L. No. 96-114), is classified, as amended, in 2 U.S.C. ch. 19 (§§ 801-817c). The Act established the Congressional Award Board, whose responsibilities include establishing and administering the Congressional Award Program.

<sup>2</sup>Congressional Award Act, classified, as amended, in part at 2 U.S.C. § 806(i).

<sup>3</sup>Government Reports Elimination Act of 2014, Pub. L. No. 113-188, § 902(c)(1), 128 Stat. 2016, 2021 (Nov. 26, 2014), classified, as amended, at 2 U.S.C. § 807.

<sup>4</sup>We reported on the results of our review of the Foundation's fiscal year 2017 financial statement audit in GAO, *Congressional Award Foundation: Review of the Audit of the Financial Statements for Fiscal Year 2017*, [GAO-18-465R](#) (Washington, D.C.: May 24, 2018).

<sup>5</sup>The Foundation's financial statements consist of the statements of financial position, the related statements of activities and cash flows, and the accompanying notes to the financial statements.

<sup>6</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>7</sup>U.S. generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, incorporate U.S. generally accepted auditing standards and constitute the professional standards under which the Foundation's financial statement audit was to be performed. For financial statement audits performed in accordance with GAGAS, the auditor is required to report on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements, regardless of whether the auditor identifies internal control deficiencies or instances of noncompliance. GAGAS does not require the auditor to express opinions on the effectiveness of internal control over financial reporting or compliance.

report in accordance with U.S. generally accepted government auditing standards. The Foundation concurred with the IPA's conclusions.

### Objective, Scope, and Methodology

Our objective was to review the audit of the Foundation's fiscal year 2018 financial statements. To satisfy this objective, we performed the following procedures:

- We read and considered the following with respect to the IPA's independence, objectivity, and qualifications:
  - the results of the IPA's most recent peer review,<sup>8</sup> dated February 23, 2018, which indicated a "pass" rating;<sup>9</sup>
  - the request for proposal that the Foundation sent out when seeking an audit organization to conduct the audit of its financial statements;
  - the proposal submitted by the IPA;
  - the IPA's certification of independence;
  - the engagement letter between the IPA and the Foundation, which described the respective responsibilities of both parties, set forth the scope and objectives of the audit service, and referenced the professional standards governing the conduct of the engagement;
  - résumés of key audit team members; and
  - documentation related to the continuing professional education of the IPA staff members assigned to the audit.
- We analyzed key audit documentation focusing on (1) the IPA's assessment of the risk of material misstatement in the Foundation's financial statements, (2) the audit procedures developed in response to this assessment, and (3) the key audit completion documents summarizing the results and conclusions reached by the IPA.
- We read the Foundation's fiscal years 2018 and 2017 financial statements, the IPA's audit report on the Foundation's financial statements, and the IPA's report on internal control over financial reporting and on compliance and other matters based on its audit. We also met with IPA representatives and Foundation management officials to discuss matters pertinent to our objective.

Our review of the Foundation's fiscal year 2018 financial statement audit, as differentiated from an audit of the financial statements, was not intended to enable us to express, and we do not express, an opinion on the Foundation's financial statements or conclude on the effectiveness of its internal control over financial reporting. Furthermore, we do not express an opinion on the Foundation's compliance with provisions of applicable laws, regulations, contracts, and grant agreements. The IPA is responsible for its reports on the Foundation dated March 15, 2019, and the conclusions expressed therein.

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<sup>8</sup>GAGAS requires each audit organization to have an external peer review conducted at least once every 3 years by reviewers independent of the organization being reviewed. The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was suitably designed and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance that it conforms with applicable professional standards.

<sup>9</sup>There are two types of peer reviews: system reviews and engagement reviews. System reviews focus on an audit organization's system of quality control, while engagement reviews focus on work performed on selected engagements. Audit organizations can receive a rating of "pass," "pass with deficiency(ies)," or "fail." The IPA received a rating of "pass" on a system review.

We conducted this performance audit from January 2019 to May 2019 in accordance with U.S. generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

**No Significant Issues Identified Related to the Audit of the Foundation's Financial Statements for Fiscal Year 2018**

Based on the limited procedures we performed in reviewing the IPA's audit of the Foundation's fiscal year 2018 financial statements, we did not identify any significant issues that we believe require attention. Had we performed additional procedures, other matters might have come to our attention that we would have reported.

Agency Comments and Third-Party Views

We provided a draft of this report to the Foundation and the IPA for review and comment. The Foundation's National Director and the Congressional Award Board's Audit Committee Chair stated in an email that the Foundation was pleased that GAO found no significant issues related to the IPA's audit of the Foundation's fiscal year 2018 financial statements. In addition, the IPA's Audit Manager stated in an email that the IPA had no comments on the draft report.

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We are sending copies of this report to the National Director of the Congressional Award Foundation, the Chair of the Congressional Award Board's Audit Committee, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report include Peggy Smith (Assistant Director); Ricky A. Perry, Jr. (Auditor in Charge); Lauren S. Fassler; Jason Kirwan; and Charles V. Varga.



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